

**ARIZONA DEPARTMENT OF TRANSPORTATION  
FUNDING SOURCES AND AUTHORITIES**

**FY 2005**  
(Dollars in Millions)

REVENUE SOURCES - STATE	DESCRIPTION	STATUTORY CITATIONS	FY 2005 ACTUAL	
<b>Highway User Revenue Fund (HURF)</b>	The State of Arizona taxes motor fuels and collects a variety of fees and charges relating to the registration and operation of motor vehicles on the public highways of the state. These collections include gasoline and use fuel taxes, motor carrier fees, vehicle license tax, motor vehicle registration fees, and other miscellaneous fees. These revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns, counties, and the State Highway Fund. These funds represent the primary source of revenues available to the Department for highway construction and improvements and other related expenses.	HURF funds are restricted to highway purposes by the Arizona Constitution, Article IX, Section 14. The distribution of HURF funds are noted in ARS, Title 28, Sections 6534-6540.	\$1,245.6 - includes VLT of \$328.2	
<b>Vehicle License Tax (VLT)</b>	Owners of vehicles that are registered for operation on the highways of Arizona pay the Vehicle License Tax (VLT). It is an ad valorem tax based on the assessed value of the vehicle. During the first 12 months of the life of the vehicle (as determined by its initial registration) the value of the vehicle is 60 percent of the manufacturer's base retail price. During each succeeding year, the vehicle's value is depreciated at 16.25 percent. Tax rates as of December 1, 2000 are \$2.80 per \$100 of assessed value for the first 12 months and \$2.89 per \$100 thereafter. The minimum VLT is \$10. The VLT revenue is distributed to the HURF, Cities/Towns and Counties. A small amount of this revenue also is distributed to the State General Fund and State Highway Fund.	The VLT was originally imposed by an amendment to the Arizona Constitution, Article IX, Section 11. The collection and distribution of the VLT funds are noted in ARS, Title 28, Sections 5801-5808.	\$747.0	
<b>Regional Area Road Fund (RARF)</b> - Maricopa Transportation Excise Tax	In October 1985, the voters of Maricopa County approved the Maricopa County Transportation Excise Tax in an amount up to ten percent of the State transaction privilege tax rates. This tax is often referred to as the "1/2 cent sales tax" and is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. The transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. These funds are the main source of funding for the Maricopa County Regional Freeway System through December 31, 2005. In November 2004, Maricopa County voters approved Proposition 400 which extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The split of the revenues beginning January 1, 2006 will be 56.2 percent for freeways and maintenance, 10.5 percent for arterial street improvements and 33.3% for regional bus service and high capacity transit services such as light rail. The freeway, maintenance and arterial street funds will be deposited into RARF while the transit funds will be deposited into the public transportation fund.	ARS, Title 28, Sections 6301-6357 and Title 42, Section 6105. In addition, the Department must distribute \$5 million in FY 1988 (adjusted annually by the GDP Deflator) to the Regional Public Transportation Authority (RPTA) per ARS, Title 28, Section 6305. Beginning July 1, 2005, these funds will be split equally between the RPTA and the Maricopa Association of Governments.	\$316.8 - \$7.7 million (RPTA)	
<b>Local Transportation Assistance Fund</b>				
<b>LTAf I</b>	The Local Transportation Assistance Fund is funded from state lottery proceeds up to \$23 million per year. The funds are distributed to cities and towns on the basis of population. The funds can be used for public transportation and transportation purposes depending on the jurisdiction's population. This fund is not administered by the Arizona Department of Transportation.	ARS, Title 5, Section 522 authorizes up to \$23 million in state lottery funds to be deposited in to the LTAf I fund. ARS, Title 28, Sections 8101-8103 provides how the funds can be used by the jurisdictions.	\$23.0	
<b>LTAf II</b>	The 1998 Legislature passed HB 2565 to provide additional statewide transit and transportation funding to incorporated cities and towns as well as the counties. The LTAf II funding is in the form of multistate lottery game and instant bingo game	ARS, Title 5, Section 522 distributes the multistate lottery and instant bingo game monies to LTAf II.	\$13.5 - \$13.5 million(Powerball)	

	monies along with a portion of the State Highway Fund's Vehicle License Tax monies. The Department administers the LTAF II and the State Treasurer's Office distributes the funds to the Regional Public Transportation Authority (RPTA), Metropolitan Planning Organizations (MPOs), and cities, towns and counties not represented by a RPTA or MPO.	ARS, Title 28, Sections 8101-8103 details the distribution of the grant money and the restrictions for transit or transportation purposes.		
<b>State Aviation Fund</b>	The State Aviation Fund receives monies from aviation gasoline taxes, sales of abandoned or seized aircraft, flight property taxes and the operation of certain airports. State Aviation Fund monies are used to build and maintain airport facilities, including the Grand Canyon Airport and the Aeronautics Department's operating budget.	Under ARS Title 28, Section 8202, this fund was established to build and maintain airport facilities.	\$24.0	
<b>Safety Enforcement and Transportation Infrastructure Fund</b>	The Safety Enforcement and Transportation Infrastructure Fund was established to provide revenue for the enforcement of vehicle safety requirements by the department of public safety, and the maintenance of transportation facilities, including roads, streets and highways as approved by the Transportation Board within the twenty-five miles of the border between Arizona and Mexico. This includes, as approved by the Board, maintenance and construction of the transportation facilities in the CANAMEX high priority corridor as defined in section 332 of the National System Designation Act of 1995.	This fund is established under ARS, Title 28, Section 6547. Monies are deposited into the fund pursuant to section 28-2324, 28-2325, 28-5739, 28-5863 and 28-5864.	\$2.9	
<b>REVENUE SOURCES - FEDERAL</b>	<b>DESCRIPTION</b>	<b>STATUTORY CITATIONS</b>	<b>FY 05 Arizona Obligation Authority</b>	<b>FY 05 National Apportionments</b>
<b>Interstate Maintenance (IM)</b>	Provides funding for various projects on the Interstate System Projects including resurfacing, restoration, and rehabilitation. Also, includes reconstruction of bridges, interchanges, and over crossings along existing Interstate routes, design, acquisition of right-of-way and preventive maintenance.	Public Law 109-59 and 23 U.S.C. Section 104(b) (4)	\$128.3	\$4,522.5
<b>National Highway System (NH)</b>	Provides funding for construction, reconstruction, resurfacing, restoration, and rehabilitation and safety improvements on segments of the National Highway System (NHS).	Public Law 109-59 and 23 U.S.C. Section 104(b) (1)	\$140.3	\$5,525.0
<b>Surface Transportation Program (STP)</b>	Provides state flexibility funds for construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements.	Public Law 109-59 and 23 U.S.C. Section 104(b) (3)	\$122.2	\$5,173.9
<b>Enhancement (TEA)</b>	Provides funding facilities such as pedestrian walkways and bicycle paths, acquisition of scenic easements, restoration of scenic or historic sites, landscaping and other scenic beautification.	Public Law 109-59 and 23 U.S.C. Section 133(B)	\$15.3	\$646.7
<b>Safety (STP)</b>	Provides funding for rail-highway crossings and hazard elimination activities on any public road.	Public Law 109-59	\$15.3	\$646.7
<b>Bridge Program (BR)</b>	Provides funding for replacement of a structurally deficient or functionally obsolete highway bridge or rehabilitate the structural integrity of a bridge.	Public Law 109-59 and 23 U.S.C. Section 144(e)	\$19.1	\$3,863.7
<b>Congestion Mitigation &amp; Air Quality Program (CM)</b>	Provides funds for various types of projects to improve air quality, by reducing transportation related emissions in non-attainment and maintenance areas under the Clean Air Act. Examples are transit improvements, travel demand management strategies, traffic flow improvements and public fleet conversions to cleaner fuels.	Public Law 109-59 and 23 U.S.C. Section 104 (b) (2)	\$43.1	\$1,578.1
<b>Planning &amp; Research (SPR)</b>	Provides funding for planning of future highway programs and local public transportation systems, research, development and technology transfer activities necessary in connection with the planning, design, construction, and maintenance of highway, public transportation, and intermodal transportation systems.	Public Law 109-59 and 23 U.S.C. Section 135	\$10.4	N/A
<b>Metropolitan Planning</b>	Provides funding to Metropolitan Planning Organizations (urbanized areas of more than 50,000 population) to carry out the transportation planning process.	Public Law 109-59 and 23 U.S.C. Section 134	\$5.6	\$293.9

Equity Bonus	Provides funding to States based on equity considerations. This program replaces the TEA-21 minimum guarantee program. A portion of Equity Bonus funds are distributed to the IM, NHS, Bridge, STP and CMAQ programs. <u>Distribution amounts not available at this time.</u>	Public Law 109-59	\$71.6	\$5,702.8
Recreation Trails	Provides funds to develop and maintain recreational trails for motorized and nonmotorized recreational trail users.	Public Law 109-59	\$1.3	\$59.2
Section 117 Projects	Provides designated funding for specific projects (commonly referred to as demonstration projects) identified by Congress.	Public Law 108-447	\$6.5	\$1,201.7
Re-Distribution (Appr Adj)	Provides for distribution of certain authorized funds. These funds that are authorized to be appropriated for FY05 for Federal-aid highway programs, that will not be allocated to the States and will not be available for obligation in FY05 due to the imposition of any obligation limitation for such fiscal year, shall be distributed to the States. These funds will be available for any purpose described in Section 133 (b) of Title 23 U.S.C.	H.R. 3, 109th Congress and Public Law 109-59 Section 1102(f)	\$0.0 No Obligation Authority is received with redistributed apportionments.	\$299.6
Public Lands Highways (Discretionary funds)	Provides discretionary funding for transportation facilities on public roads serving Federal and Indian lands. (In FY 05, Arizona received \$8.5 million for the Hoover Dam Bypass Bridge project and \$2.5 million for the Lone Pine Dam Bridge.)	23 U.S.C. Section 120	\$11.0	N/A
Safety Incentives (0.08 BAC)	Provides funding to States that have enacted 0.08 percent blood alcohol concentration (BAC) as the legal limit for drunk driving offenses. States may use funds for any project under Title 23.	23 U.S.C Section 163	\$1.2	\$89.0
Coordinated Border Infrastructure Prog.	Provides funding to improve the safe movement of motor vehicles at or across the land border between the U.S. and Canada and the land border between the U.S. and Mexico.	Public Law 109-59	\$5.9	\$123.0
Safe Routes to School Program	Provides funding to enable and encourage children to walk and bicycle to school. To make walking and bicycling to school safe and more appealing. To facilitate planning and improve safety..	Public Law 109-59	\$1.0	\$51.0
FTA, Section 5310 (Transit)	Provides funds to transit projects for the elderly and people with disabilities. Funds are allocated to each state on a formula basis and then the state allocates to eligible recipients, that include public bodies and private, non-profit organizations. Capital costs, as well as costs associated with contracted services, are eligible expenses.	49 U.S.C. Chapter 53	\$1.7	\$94.5
FTA, Section 5311 (Transit)	Provides funds to support costs associated with transportation in non-urbanized areas. Funds are allocated to each state on a formula basis and then the state allocates to eligible recipients, that include public bodies and private, non-profit organizations. Both capital and operating costs are eligible expenses.	49 U.S.C. Chapter 53	\$3.5	\$254.8
<b>FINANCING OPTIONS</b>	<b>DESCRIPTION</b>	<b>STATUTORY CITATIONS</b>	<b>FY 2005 ACTUAL</b>	
HURF Bonds	The State Transportation Board issues Highway User Revenue Bonds to accelerate the construction of highway construction projects throughout Arizona. The pledged revenues for the bond issues are the HURF funds deposited in the State Highway Fund. The bonds are an obligation of the State Transportation Board and are not obligations of the State of Arizona. They do not constitute a legal debt of the State, and payment is not enforceable from any revenue other than HURF.	The State Transportation Board has the authority to issue HURF bonds per ARS, Title 28, Sections 7501-7517.	\$188.3 No refunding	
RARF Bonds	The State Transportation Board issues Regional Area Road Fund Bonds (RARF) to accelerate the construction of controlled access facilities on the Maricopa Regional Freeway System. The pledged revenues for the bond issues are the Maricopa County Transportation Excise Tax revenues deposited in the RARF. The bonds are an	The State Transportation Board has the authority to issue RARF bonds per ARS, Title 28, Sections 7561-7573.	\$0.0	

	obligation of the State Transportation Board and are not obligations of the State of Arizona. They do not constitute a legal debt of the State, and payment is not enforceable from any revenue other than RARF. On January 1, 2006, the State Transportation Board will have the authority to issue RARF bonds to accelerate arterial street projects in the Regional Transportation Plan as a result of Proposition 400.			
<b>Highway Expansion and Extension Loan Program (HELP)</b>	HELP was enacted on August 21, 1998. HELP is Arizona's State Infrastructure Bank, which provides loans and financial assistance for eligible highway projects in Arizona. The HELP fund is capitalized with federal and state dollars as well as Board Funding Obligations which provide the capital for loans. As borrowers repay principal and interest on loans, the HELP fund is replenished and monies can be re-loaned. The fund is a self-sustaining mechanism to accelerate critical transportation projects.	ARS Title 28, Sections 7671-7677, authorized the creation of HELP. Federal requirements are within the National Highway System Designation Act of 1995.	\$42.6 Represents 4 loans	
<b>Grant Anticipation Notes (GANs)</b>	Enacted into law in 1984, GANs offer a significant opportunity for accelerating projects throughout Arizona. GAN legislation enables the State to issue notes to pay the Federal share of projects in advance of the actual receipt of Federal highway funding. Local communities may participate in paying the cost of interest on the notes.	Under ARS Title 28, Sections 7611-7617 passed in 1984.	\$104.4 No refunding.	
<b>Board Funding Obligations (BFOs)</b>	The State Transportation Board has the authority to issue nonnegotiable Board Funding Obligations (BFOs) for purchase by the Arizona State Treasurer. The BFOs were initially used to capitalize Arizona's State Infrastructure Bank, which allowed the Department and political subdivisions to apply for loans from the Highway Expansion and Extension Loan Program (HELP). Laws 2001, Chapter 238 (HB 2636) provided additional authority to the Board to issue BFOs for the State Highway Fund up to \$60 million in FY 2002 and FY 2004. Laws 2005, Chapter 150 (HB2123) provided for reissuance of BFOs from FY 2006 through FY 2020 with the final maturity no later than FY 2024. Maximum outstanding is limited to \$200 million.	Under ARS Title 28, Section 7678	\$0.0 - HELP (\$0) - St. Hwy. Fund (\$0)	
<b>Transportation Infrastructure Finance and Innovation Act (TIFIA)</b>	This federal program consists of three distinct types of financial assistance, designated to address various project requirements throughout their life cycles. Secure loans are direct federal loans to project sponsors offering flexible repayment terms and providing combined construction and permanent financing of capital costs. Loan guarantees provide full faith-and-credit guarantees by the federal government. Federal government Stand-by Lines of Credit represent secondary sources of funding in the form of contingent federal loans.	Under TEA-21, projects must qualify under Title 23	\$0.0	